Department of Defense Business Management Modernization

American Society of Military Comptrollers

Professional Development Institute 2003

Impact of the BMMP and BEA on DoD's Financial Management and Accounting

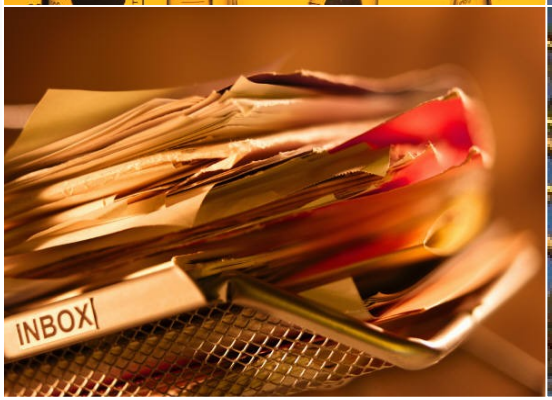
Imagine If…

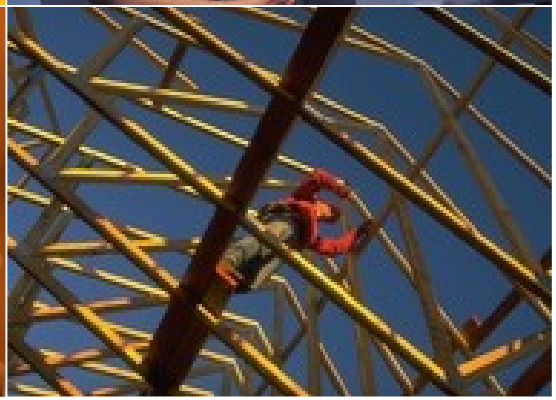
…we could more readily

…identify chemical warfare experts through an integrated employee information profile

…know what munitions are available in any given place at any given time

…issue supplies in a timely manner with reduced paperwork

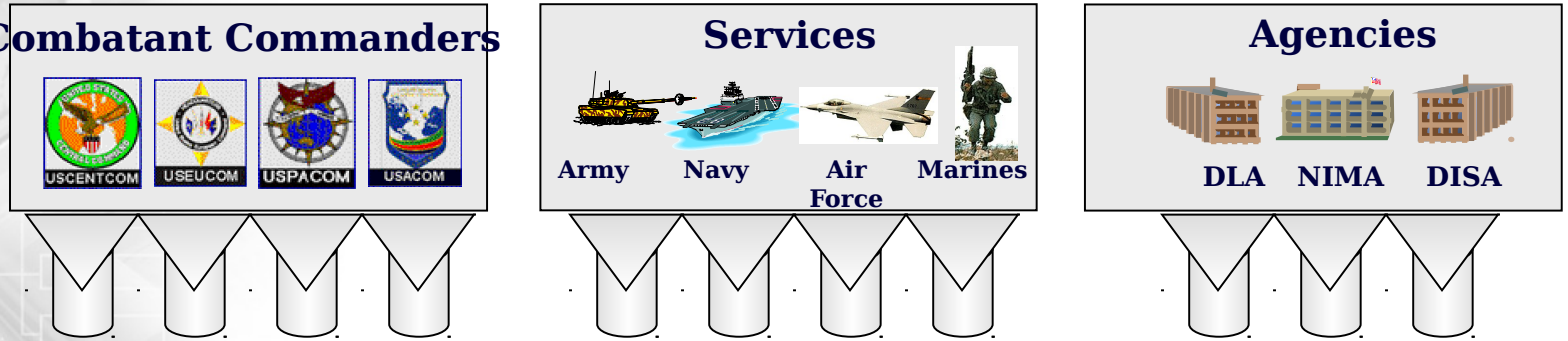




…purchase land and build a youth center to support a military family housing community in less time

The Need for Change is Clear

- **Services and Agencies have individual processes and over 2000 supporting systems that focus primarily on their own operations**
- **Results are:**
  - **Costly, redundant and inefficient management of DoD resources**
  - **Accurate, reliable, timely, and informed management decision-making not supported DoD-wide**



Top Leadership is Critical to Success

"We simply have to transform this place. It is every bit as important to the success of the global war on terrorism as the other things we're doing."

-Secretary of Defense Donald Rumsfeld

"It's a key element in the secretary's efforts to transform this department…. transformation has been viewed as new weapons systems or communications, or even culture…. but there's another one, too, and that's transforming the way we do business in this place."

-Under Secretary of Defense (Comptroller) Dov Zakheim

DoD has Established the Business Management Modernization Program to Realize the Vision

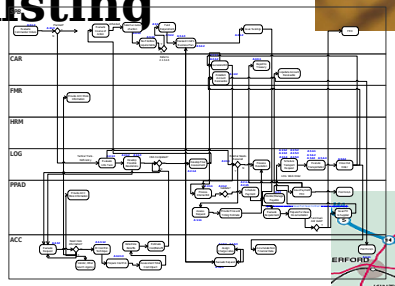
- **This program is chartered to:**
  - **Transform and modernize business processes across DoD**
  - **Standardize and integrate processes enabled by technology and systems**
  - **Capitalize on DoD strengths and infuse leading practices into DoD operations**
- ***What the program is <u>not:</u>***
  - **A Finance and Accountin**
  - **A "systems" effort**

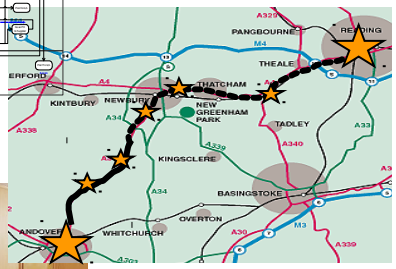
SECDEF TOP 10

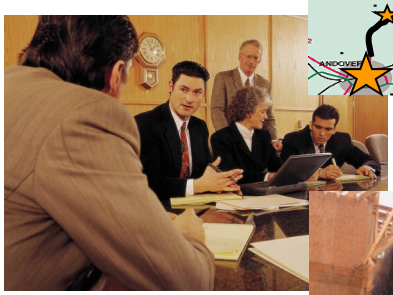
#1 Pursue Global War on Terrorism
#2 Strengthen Joint Warfighting Capabilities
.
.
#8 Homeland Security
#9 Streamline DoD Processes
-Shorten PPBS and acqusition cycle time
-Financial Management Reform
-Shorten all DoD processes by 50%
#10 ....

DoD Approach

- **The vision is realized through the development of an *enterprise architecture*, a list of business, technical and systems requirements that create a "blueprint" for building and connecting new and existing processes and systems**
- **End-to-end *business scenarios* have been designed to provide functional business process validation**
- **A *transition plan* lays out the key high level tasks which must be accomplished to implement the architecture**
- **Activities, business rules and requirements in the architecture have been grouped by business area, or *domain***
- **Domain leaders will lead the *transformation* and coordinate the implementation of changes consistent with the architecture in partnership with BMSI and in accordance with the established governance model**



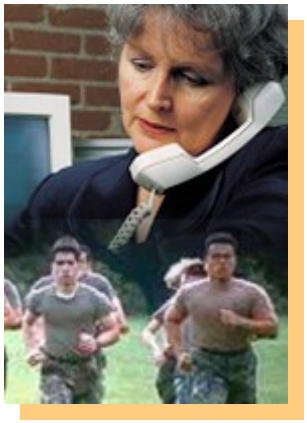
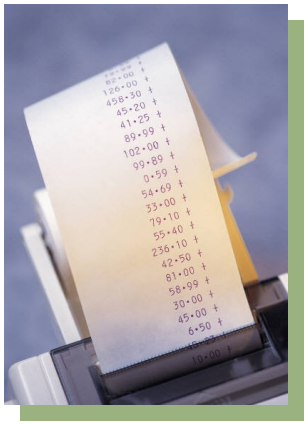
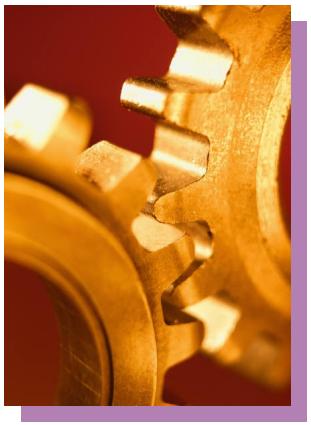
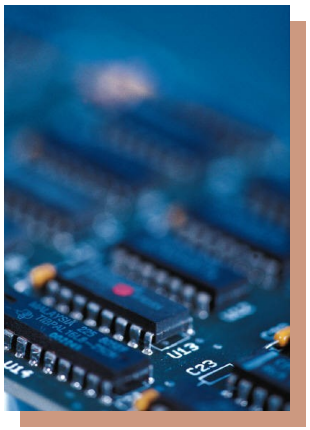




Realizing the Transformation

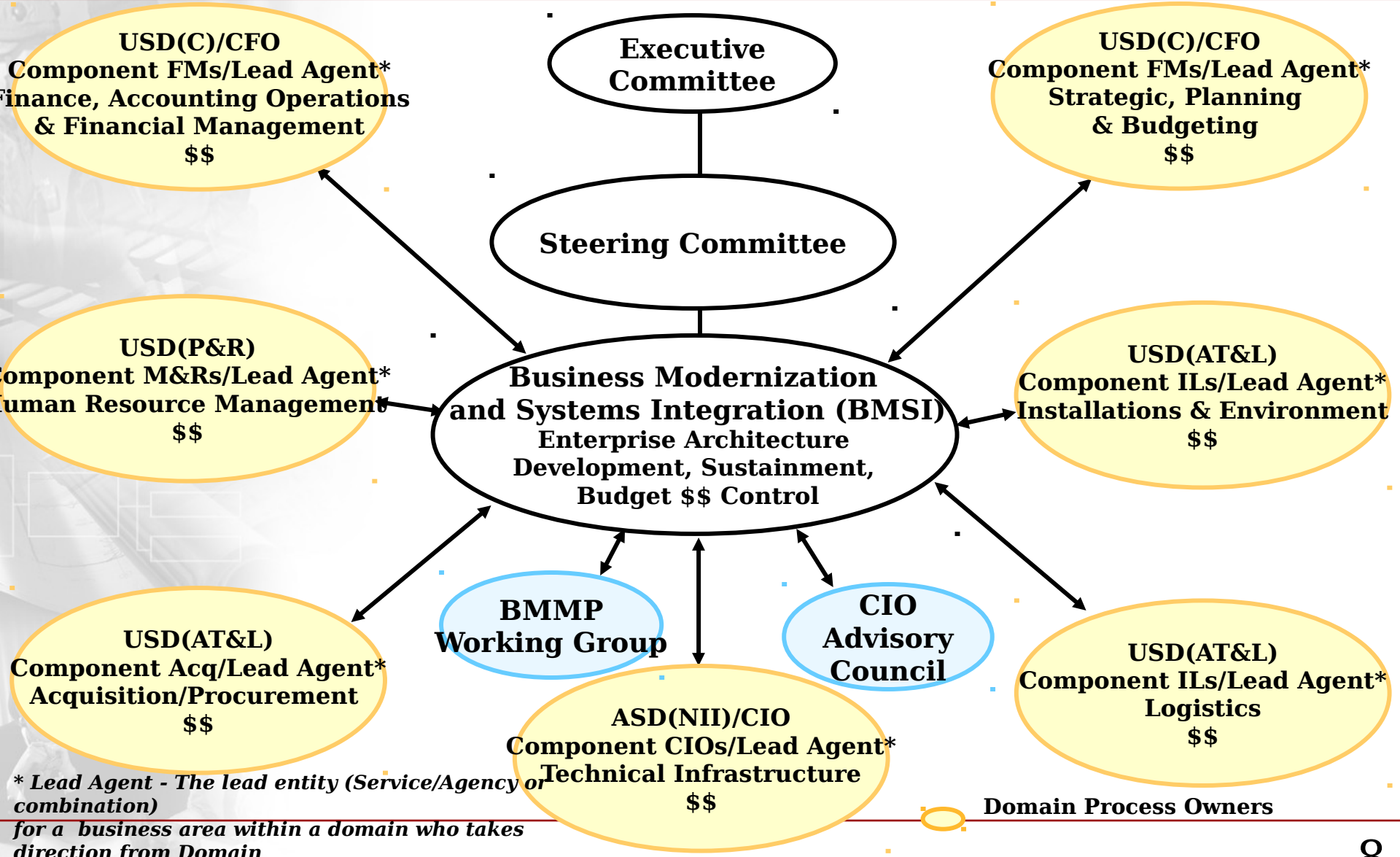
The Seven Domains

- Logistics
- Acquisition/Procurement
- Installations and Environment
- Human Resources Management
- Finance, Accounting Operations and Financial Management
- Strategic Planning and Budgeting
- Technical Infrastructure

Leadership in DoD's business areas, or Domains, will be responsible for coordinating and managing the transformation throughout DoD

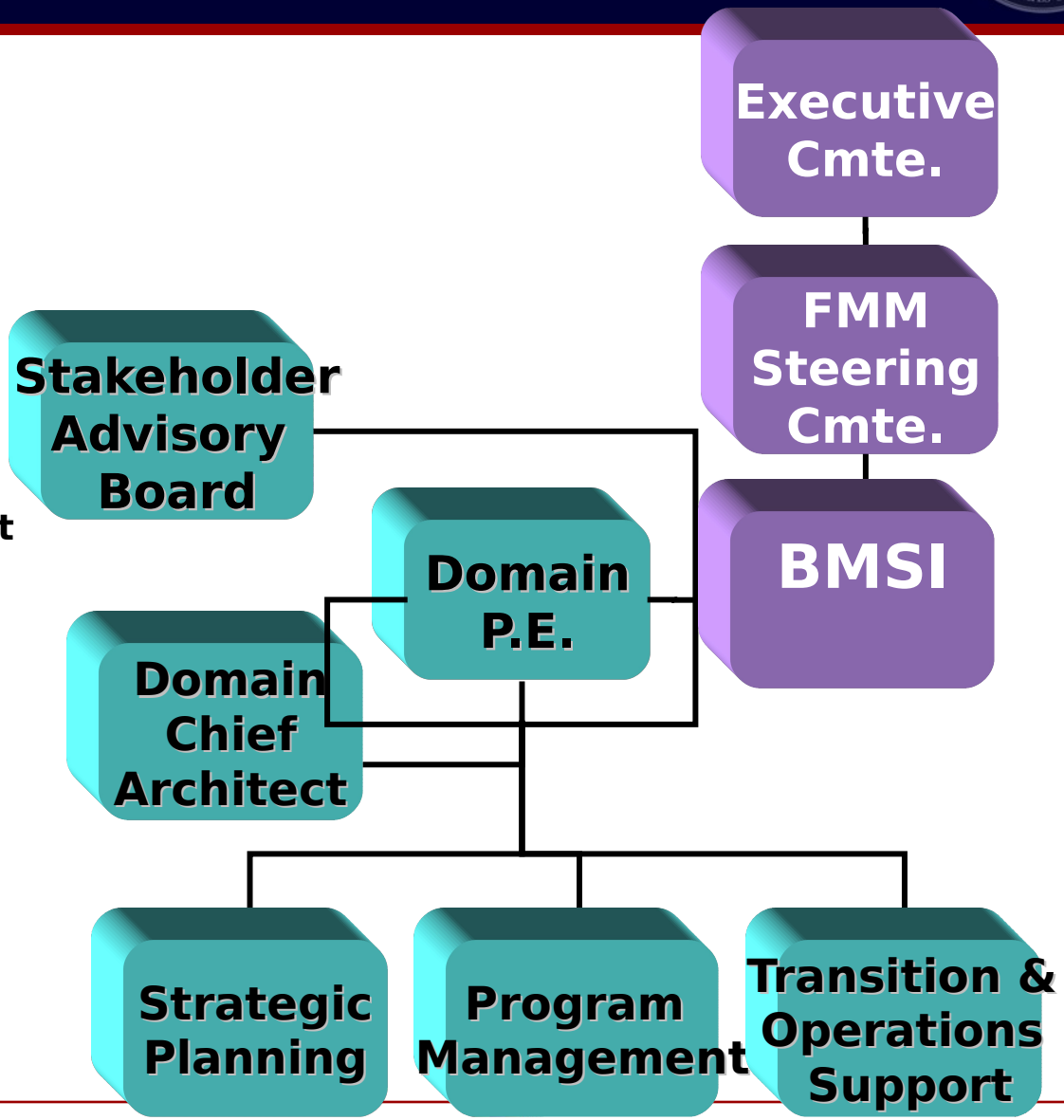
Leading the Transformation



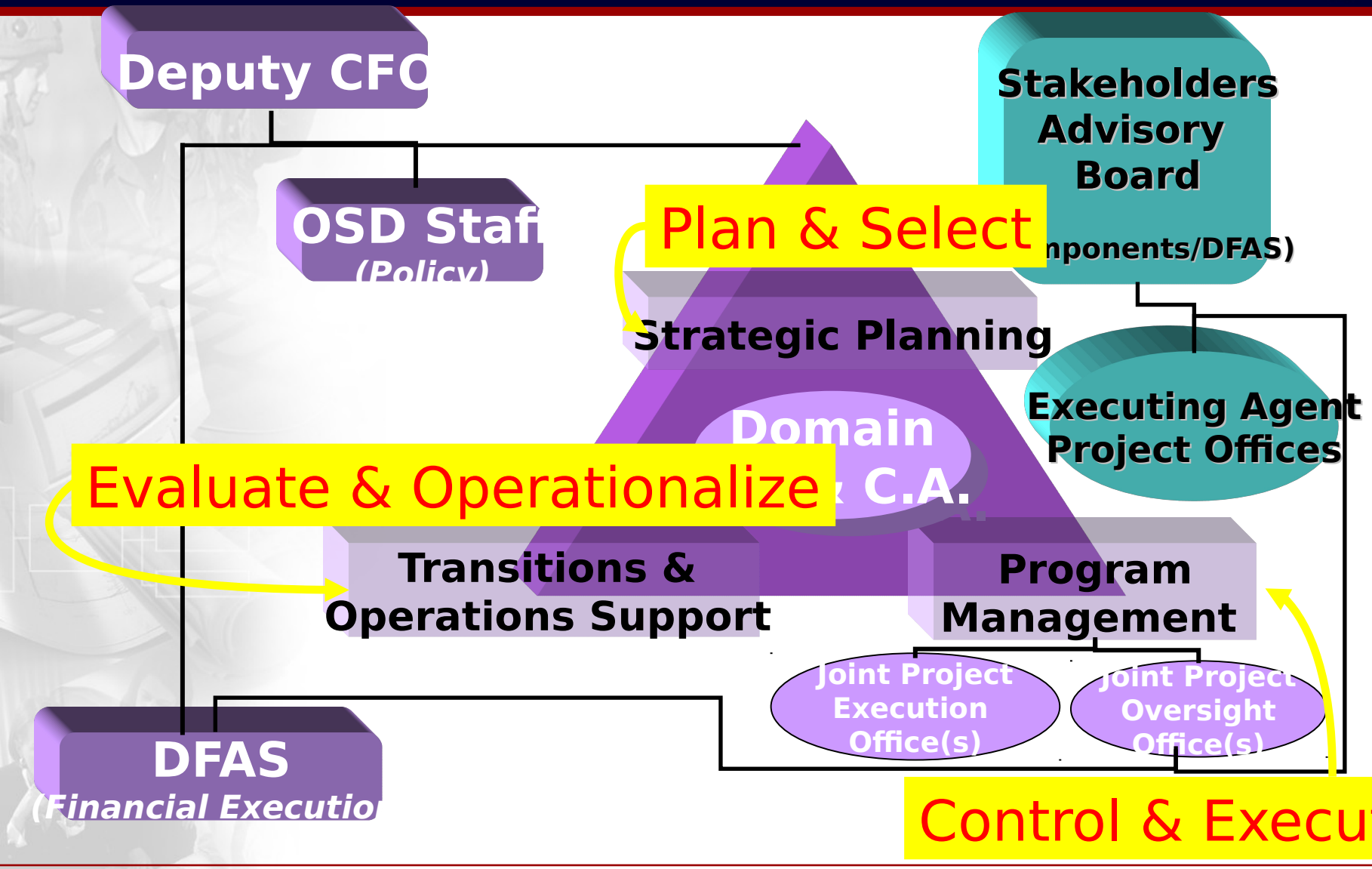
** Lead Agent - The lead entity (Service/Agency or combination) for a business area within a domain who takes direction from Domain*

Finance, Accounting Operations & Financial Management Domain Program Office

- Domain Program Executive
- Domain Chief Architect
- Three Operational Divisions
  - Strategic Planning
  - Program Management
  - Transitions & Operations Support



Domain Governance Structure Relationships



What is the future of General Accounting in the DoD?

- **Reliability of data is optimized because accountability is at the source**
- **Standard Information Available for Decision-making**
- **Eliminate Reconciliation, Emphasis on Analysis**
- **Auditable DoD Financial Statements (Unqualified Audit Opinion)**

How will this “to be” vision of General Accounting be realized?

- **Standard Accounting Code Structure (Line of Accounting)**
  - **Develop a Standard Accounting Classification Structure for the Department of Defense**
  - **Improve the Ability to View and Measure Performance Across the DoD**
  - **Virtual Close (Soft/Hard Close)**

- **Standard Chart of Accounts**
  - **Efficient Preparation of Financial Statements**
  - **Common Accounting Transaction Entries (Pro Forma)**
  - **Drill-Down Capability to Transaction Detail**

How will this “to be” vision of General Accounting be realized?

Army

Navy

Air Force

USMC

Other

Agencies

Standard Accounting Classification Structu

Line of Accounting

Account Program Organization

USSGL Chart of Accounts, Transaction Entries, Attrib

How will this “to be” vision of General Accounting be realized?

- **Single Point of Data Entry, Validation and Correction at Source**
  - **Establishes Traceability and Accountability of Data at the Source**
  - **Provides Data Accuracy**
- **Continuous Financial Performance Analysis**
  - **Levels the Workload Over the Accounting Period**
  - **Contributes to an Efficient Accounting Process**
  - **Applies Risk-based Materiality Limits**
  - **Facilitates Continuous Improvement Process**

What is the future of Cost Management in the DoD?

- **Greater Emphasis on Cost Management in Support of Organizational Strategies, and its Benefits Across All Business Lines**
- **Integrated Data to Allow DoD to Reallocate Time and Resources from Data Collection, Transaction Processing and Error Corrections to Cost Analysis and Process Improvement**
- **A Cost Accounting Structure that is Standard at an Enterprise Level yet Flexible Enough to Allow for Effective Management Decision-Making at All Levels**
- **Accurate, Reliable and Timely Cost Management Information!**

How will this “to be” vision of Cost Management be realized?

- **Cost Modeling**
  - **Reflects Actual Cost Flows and Relationships within Your Program, Business Line or Organization**
  - **Provides Better Visibility of Cost**
  - **Enables More Effective Assessment of Drivers of Cost**
- **Advanced Costing Methodologies**
  - **Includes Cost Methodologies Best Suited for a Business Line or Organization**
  - **Incorporates Methodologies Such as Activity-based Costing to Provide Multi-dimensional Views of Cost for Effective Management and Continued Process Improvement**

How will this “to be” vision of Cost Management be realized?

- **Cost Assignment**
  - **Distribute Costs to Outputs Based on Cause-and-effect Relationships Instead of Evenly Spreading Costs Based Simply on Budget or Estimated Total Cost**
  - **Determine More Accurate Total Output Costs Leading to Truer Unit Costs Resulting in More Accurate and Reliable Cost Estimates and Billing Rates**

Cost Management in the "To Be"

$ Resource $

$ Activity $

$ Output $

# of Labor Hours

# of Gallons of Pair

# of Machine Hours

Aircraft

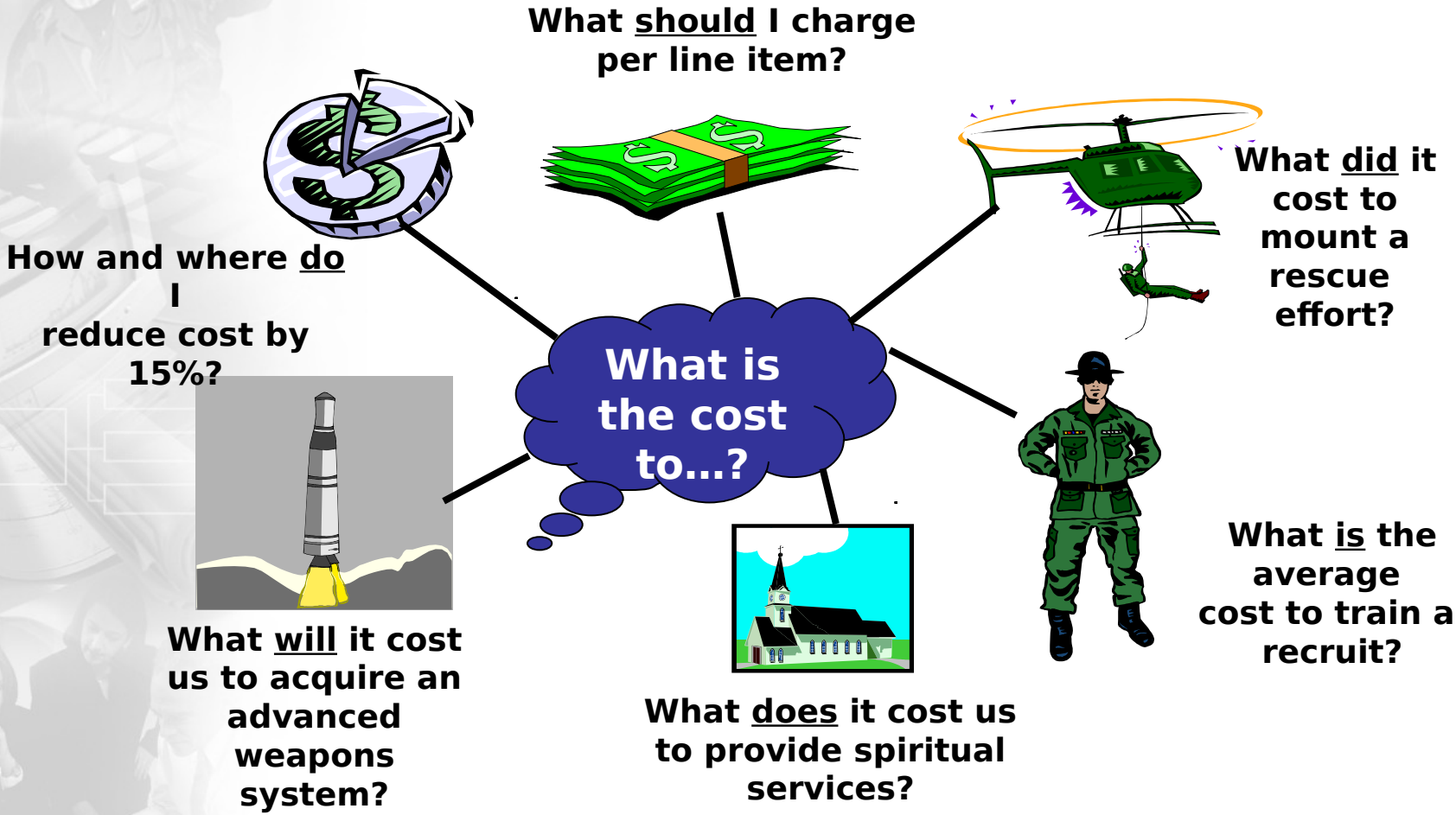
Prep Aircraft

Paint Aircraft

# of Aircraft

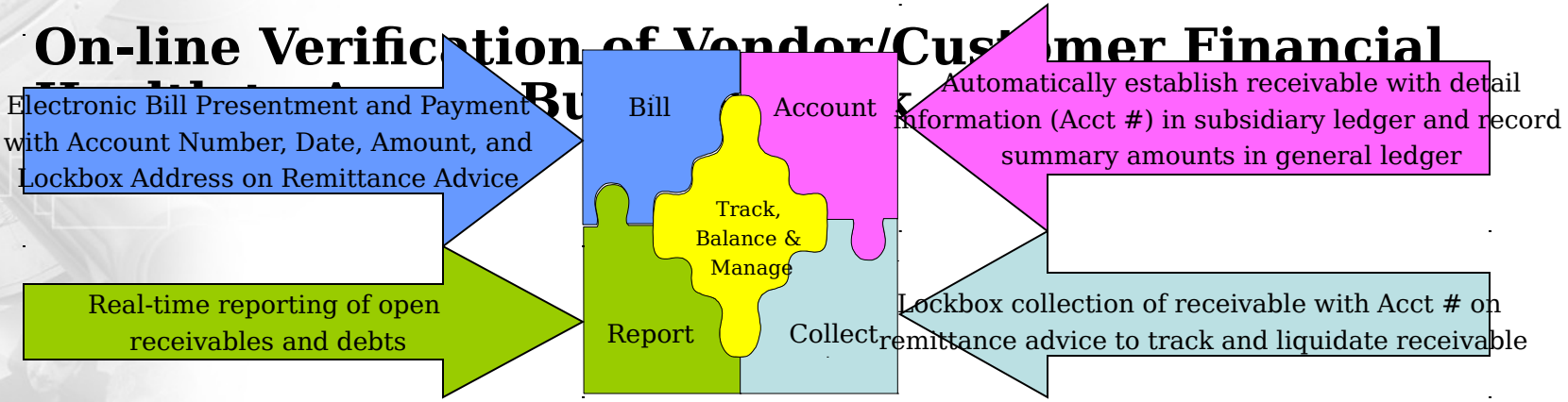
Cost Management in the "To Be"

you can get **reliable**, **accurate**, and **timely** answers to questions like


What should I charge per line item?
How and where do I reduce cost by 15%?
What did it cost to mount a rescue effort?
What is the cost to…?
What will it cost us to acquire an advanced weapons system?
What does it cost us to provide spiritual services?
What is the average cost to train a recruit?

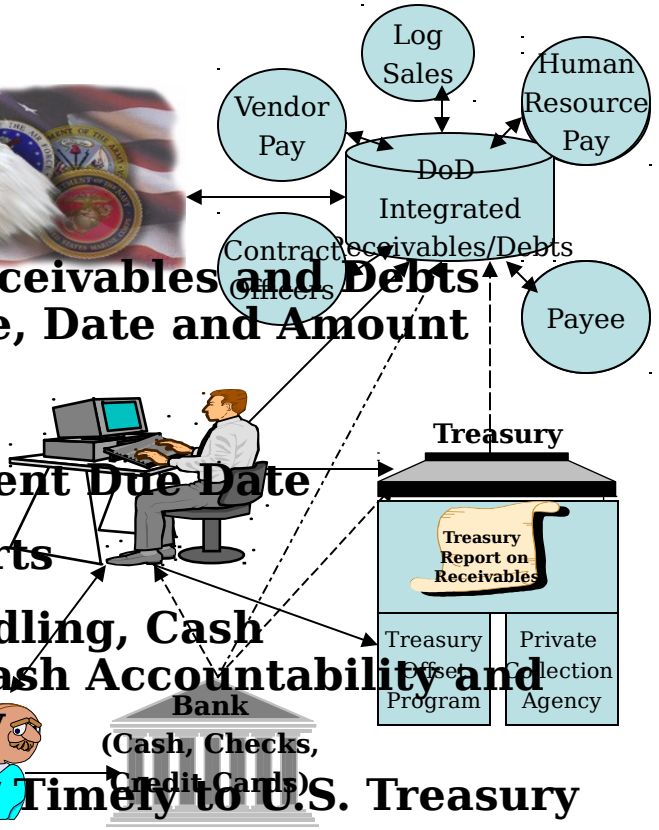
What is the future of Collections, Accounts Receivable and Cash Management in the DoD?

- **Enterprise-wide and Real-time Visibility of Open Receivables and Debts**
- **Desktop Cash Management Throughout the Department**
- **Real-time Forecasting of Funds Available at the Program Level**
- **On-line Verification of Vendor/Customer Financial**


Electronic Bill Presentment and Payment with Account Number, Date, Amount, and Lockbox Address on Remittance Advice
Bill
Account
Automatically establish receivable with detail information (Acct #) in subsidiary ledger and record summary amounts in general ledger
Track, Balance & Manage
Real-time reporting of open receivables and debts
Report
Collect
Lockbox collection of receivable with Acct # on remittance advice to track and liquidate receivable

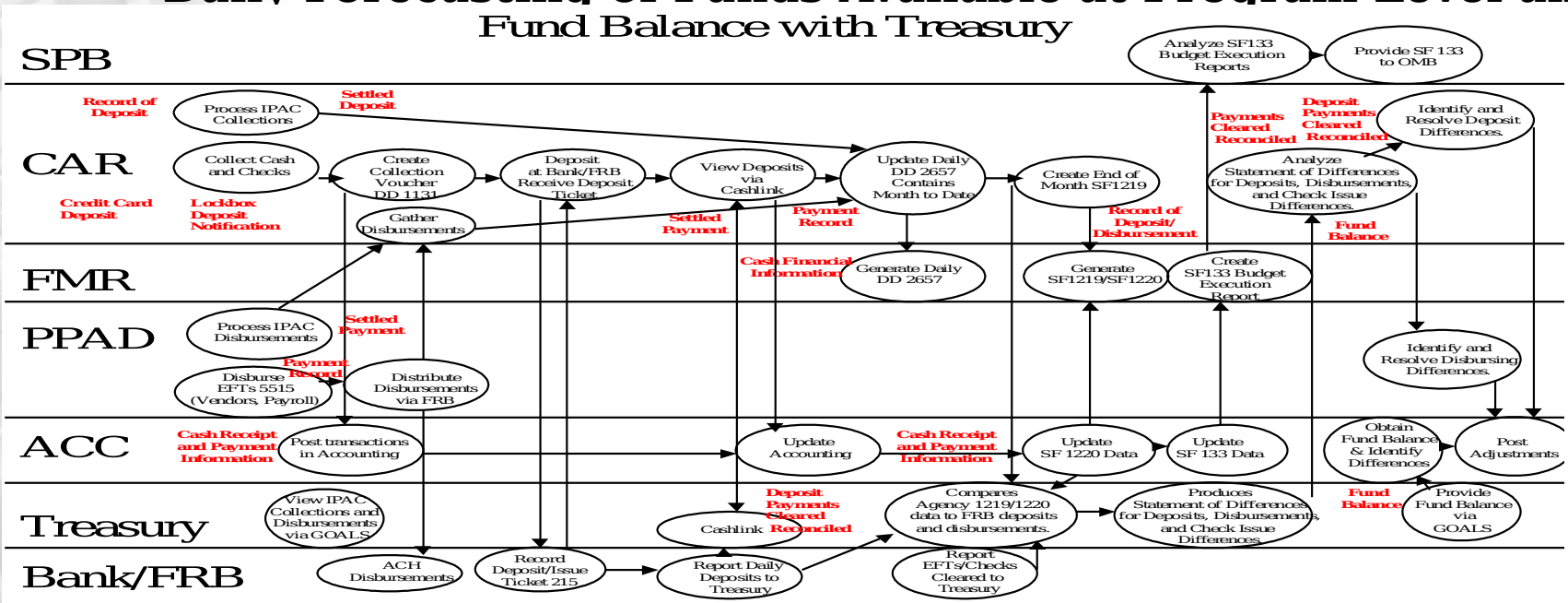
How will this "to be" vision of Collections, Accounts Receivable and Cash Management be realized?

- **Integrated Receivables and Debts**
  - **Centralized Database of All Receivables and Debts Owed the DoD**
  - **Ability to Track and Drill Down Accounts Receivables and Debts by Account, Source, Type, Date and Amount**
- **Strategic Collections**
  - **Contact the Customer/Debtor Prior to Payment Due Date**
  - **Standardize Collection Procedures and Efforts**
  - **Maximize Lockboxes to Eliminate Cash Handling, Cash Flow Lags, and Improve Cash Accountability and Availability**
  - **Ensure Proper Due Process and Refer Debts Timely to U.S. Treasury**
  - **Utilize Professional Collection Agencies Early in the Collection Process**
  - **Report Delinquent Debtors to Credit Bureaus**



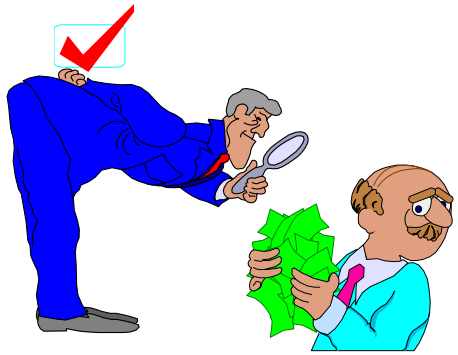
How will this "to be" vision of Collections, Accounts Receivable and Cash Management be realized?

- **Fund Balance with Treasury and Cash Management**
  - **Daily Balancing and Visibility of Funds with U.S. Treasury in Coordination with the Government Wide Accounting (GWA) Initiative**
  - **Daily Forecasting of Funds Available at Program Level and**



How will this “to be” vision of Collections, Accounts Receivable and Cash Management be realized?

- **Vendor/customer Financial Risk Assessment**
  - **Perform Vendor/Customer Credit Checks and Risk Assessments on Vendors/Creditors to Validate Eligibility to Do Business With DoD**
  - **Utilize Private Credit Agencies to Obtain Credit Worthiness Information on Questionable Vendors/Customers**

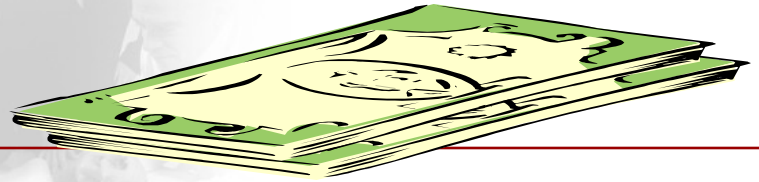


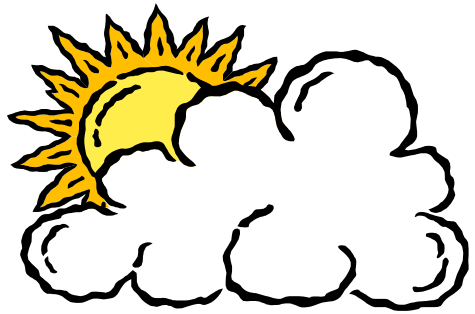
Payables & Disbursing

- **What Is the Future of Payables & Disbursing in the DoD?**
  - **Improved Procurement Process Becomes an Enabler to the Commercial and Vendor Payment Processes**
  - **Source Contract Data Available Electronically**
  - **Increased Control Over Funds Allocation at the Transaction Level**

Payables & Disbursing

- Research Necessary to Verify Invoice / Payment
- Required Payable Match Events Untimely, Often Unnecessary
- Lost Discounts & Interest Charges
- Non-Standard Lines of Accounting
- Higher Cost of Operation





- Research Minimized to Exception Handling
- Match Rules Base on Requirement & Business Risk
- Discounts Captured Based on DoD Advantage
- Interest Costs Eliminated Through Reengineered Processes and Terms & Conditions that Consider Process Performance

Payables & Disbursing

- **How will this “to be” vision of payables & disbursing be realized?**
  - **Reduce process variability, gain efficiency and reduce the cost of vendor payment processing**
  - **Flexible matching rules based on contract terms**
  - **Elimination of low value-adding activities**
  - **Sourcing agreement instructions will require vendor invoices to reference the purchase contract line item and number**

What is the future of Financial & Management Reporting in the DoD?

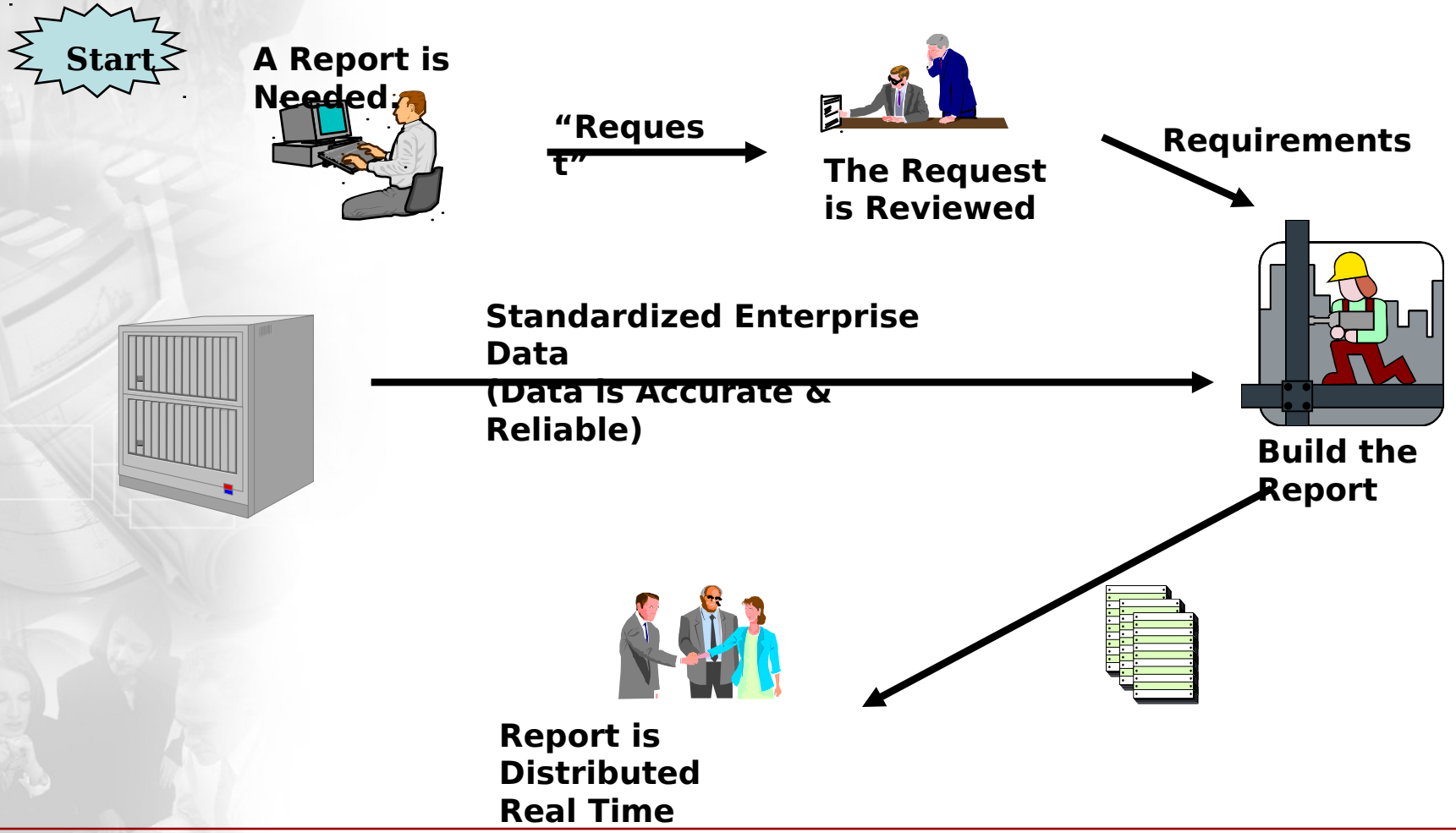
- **Accurate, Reliable and Timely Enterprise Information!**
- **Unqualified Audit Opinions**
- **Reduce Redundant or Non-value Added Reporting**
- **Enterprise Performance Metrics and Reporting**

How will this “to be” vision of F&MR be realized?

- **Real Time Reporting**
  - **Self Services**
  - **Drill-down Capability**
  - **Standardized Templates**
  - **Paperless Routing & Approval**
- **Integrated Source of Data**
  - **Standard Data Definitions**
- **Data Visualization**
  - **Scorecards & Dashboard Metrics**

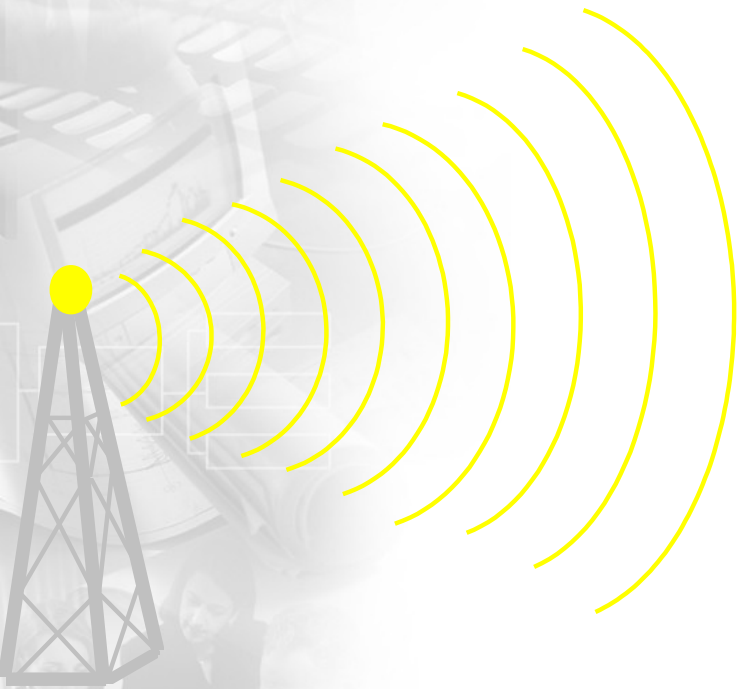
Financial & Management Reporting

A View of the Reporting Process



Financial & Management Reporting

Keeping It Simple



What? Accurate, Reliable, and Timely Reporting of Enterprise Information (Compliance & Management)

When? Real Time Availability

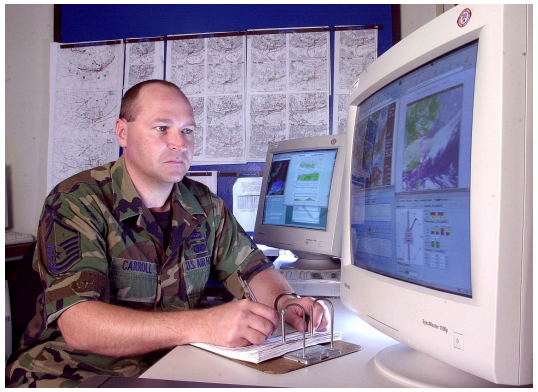
Who? Available to Authorized Users of Data when Needed

How? Standardized Data, Drill Down Capability, Data Visualization – Dashboards & Scorecards

Many Will Benefit From This Effort

Within DoD…

- **The warfighter**
- **Decision-makers**
- **Employees**



…and beyond

- **Taxpayers**
- **Congress**
- **Homeland Defense Mission**
- **Families of the warfighter**

Activities Critical to DoD Success

Promote culture towards enterprise standards and practices

Implement Education and Training Plan

Support information flow and engage in two-way communication

Set clear goals and post progress against those goals

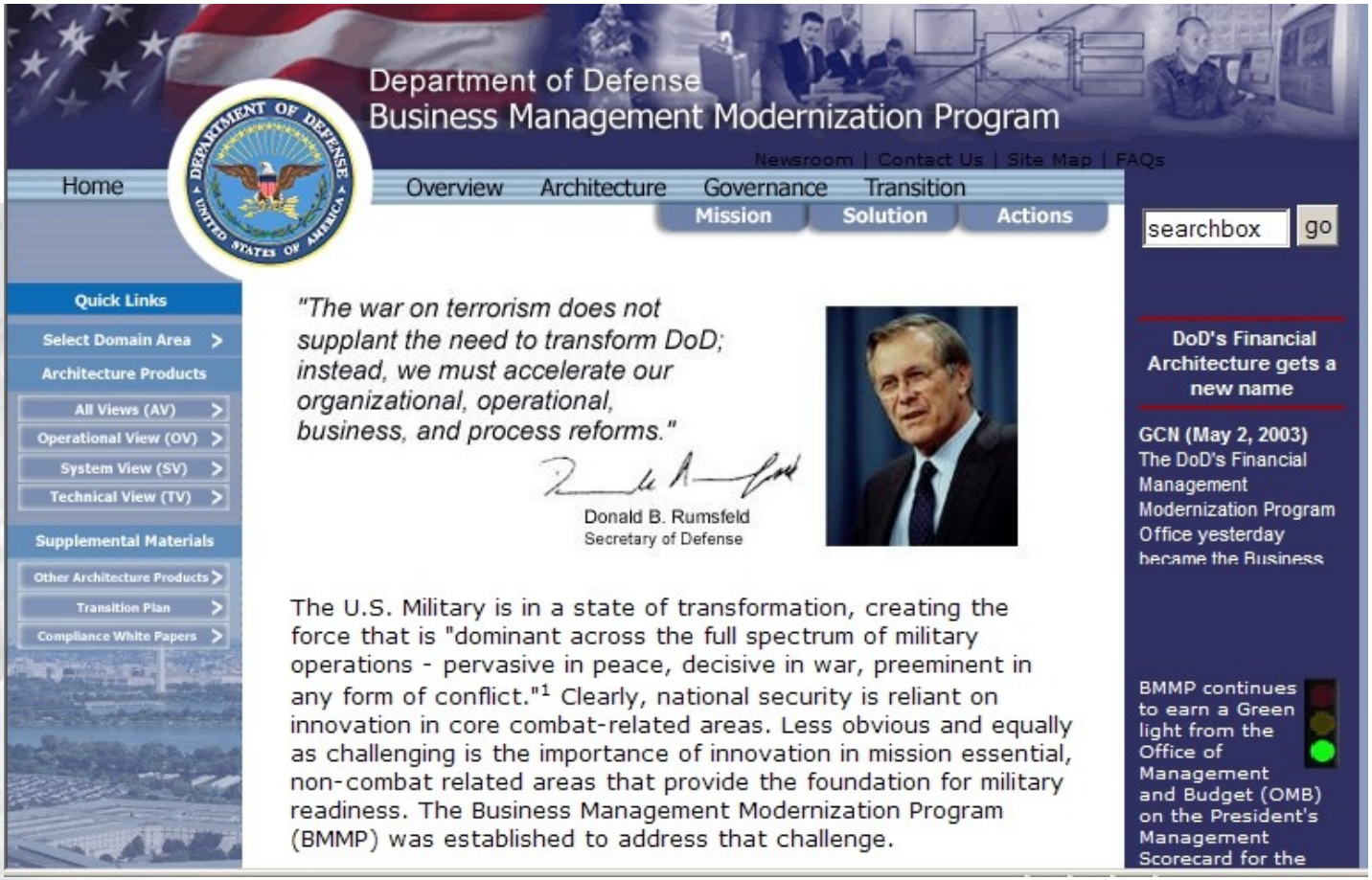
Utilize Incentives Program

Share successful business processes and rules, policies, and procedures

Evolve all aspects of the business resources

We Have A Plan And Are Executing Against It

Maintain, Extend, & Integrate BEA
Maintain & Extend the Repository
Maintain & Update Enterprise Transition Plan
Integrate w/NII – Enterprise Level Services & Standards
BEA Enterprise Integration – Across Domains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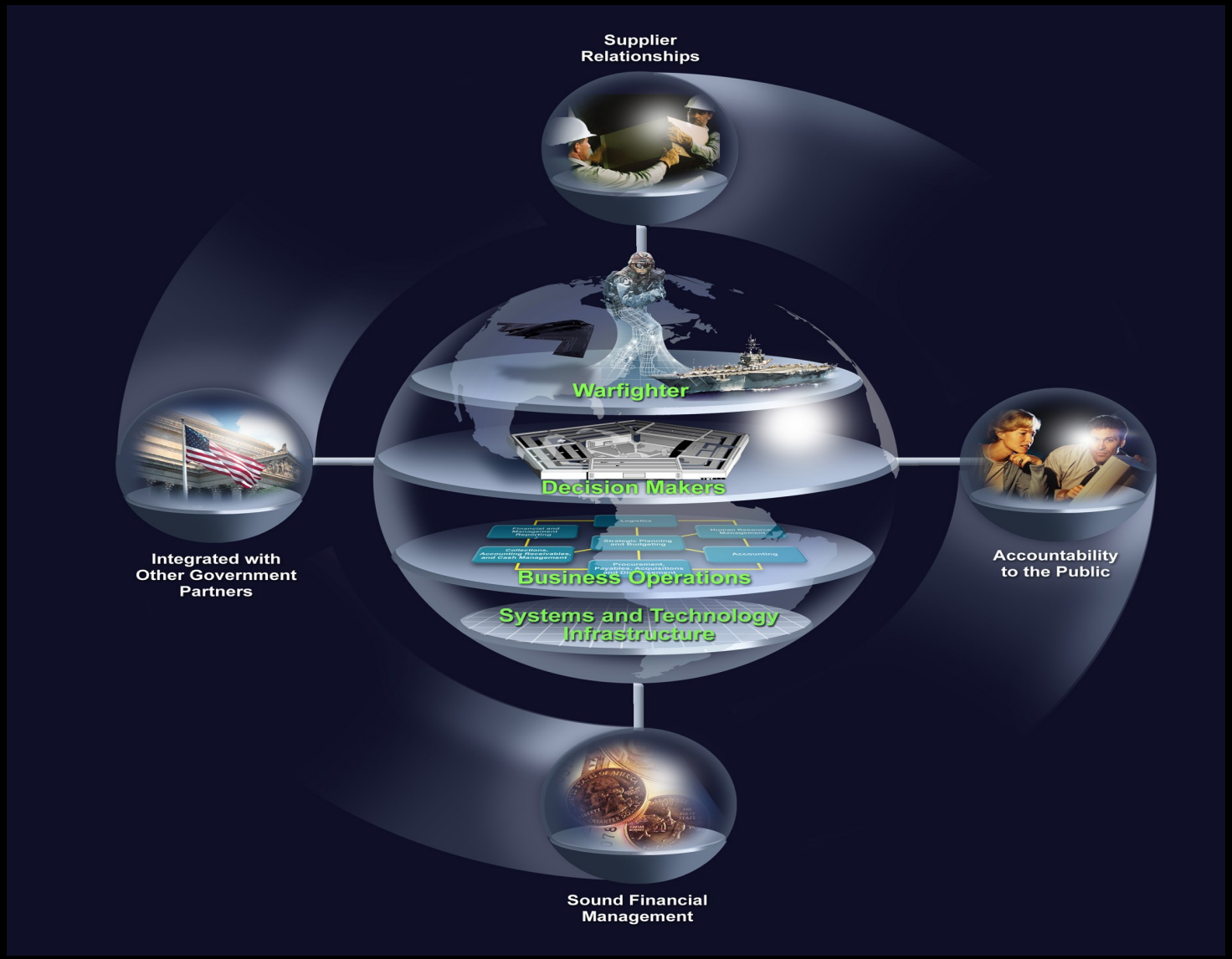
Quick Links
Select Domain Area
Architecture Products
All Views (AV)
Operational View (OV)
System View (SV)
Technical View (TV)
Supplemental Materials
Other Architecture Products
Transition Plan
Compliance White Papers
"The war on terrorism does not supplant the need to transform DoD; instead, we must accelerate our organizational, operational, business, and process reforms."
Donald B. Rumsfeld
Secretary of Defense
The U.S. Military is in a state of transformation, creating the force that is "dominant across the full spectrum of military operations - pervasive in peace, decisive in war, preeminent in any form of conflict."[1] Clearly, national security is reliant on innovation in core combat-related areas. Less obvious and equally as challenging is the importance of innovation in mission essential, non-combat related areas that provide the foundation for military readiness. The Business Management Modernization Program (BMMP) was established to address that challenge.
DoD's Financial Architecture gets a new name
GCN (May 2, 2003)
The DoD's Financial Management Modernization Program Office yesterday became the Business
BMMP continues to earn a Green light from the Office of Management and Budget (OMB) on the President's Management Scorecard for the

- **Visit the program website at**

  http://www.dod.mil/comptroller/bmmp/

- **Submit questions and comments from the website or send a message to askfmmp@dfas.mil**

Business Enterprise Architecture



World-Class Business Operations in Support of the